



Meeting report

European Parliament: 8 March 2017

## When Will Europe Act? How the aviation sector can reduce emissions through the EU ETS

In October of 2016, the International Civil Aviation Organization (ICAO) created a global offsetting scheme called the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) to address the rapidly growing emissions from aviation. Last month the European Commission responded to ICAO's scheme by publishing a proposal on how to treat aviation emissions under the EU Emissions Trading System (EU ETS).

**Carbon Market Watch together with Transport & Environment** organised a debate in the European Parliament on Wednesday 8th March 2017 which analysed the Commission's proposal and discussed the aviation's role in addressing climate change.

The event was kindly co-hosted by **Members of the European Parliament Mr Peter Liese (EPP)** and **Ms Julie Girling (ECR)**.

First of its kind since the proposal was published, this event contributed to debate around the legislative work on the proposal, highlighting the need for robust mechanism for an industry that currently is paying practically nothing for the pollution it causes.

*Below is a summary of the presentations and discussion:*

The debate was moderated by **Member of the European Parliament Ms Julie Girling**.

**Mr Peter Liese**, Member of the European Parliament in his opening remarks highlighted the following:

- Aviation is a very important part of our economy, our everyday lives. Our goal should not be to stop it from working.
- But unfortunately, the way it is managed, aviation is a problem for the climate. Its emissions are equivalent to those of the 129 least emitting countries combined. We wouldn't allow those countries to stay outside of the Paris climate agreement – but we did exactly this for the

aviation sector.

- All emitters have to do their share of climate action, and aviation is a significant one. When flying, you emit more emissions than if you use a car, a coach, a train. However, in all these other areas the EU has sometimes very strict regulations. Sometimes aviation competes directly with railways. But when I take the train, I pay for the EU ETS, as train companies must buy 100% of their pollution permits. When I fly, I'm not covered by the same ambitious scheme. It's not fair to the other sectors to exclude aviation.
- The global aviation deal adopted last year was a big disappointment for the European Parliament. Why? Because ICAO didn't agree on a reduction target, only a target for carbon neutral growth (CNG) – which it won't even reach. All other sectors in the EU must contribute towards the EU's domestic emission reduction target of at least 40% by 2030.
- There are many open questions around the CORSIA, including the types and quality of offsets. We need to work to improve it, close loopholes, get clarity on scope and offsets. Make sure that it is an effective climate tool, and not just window-dressing.
- Intra-EU flights should continue to be covered by the EU ETS, and the proposal is a good basis for conversation, applying the Linear Reduction Factor for aviation is a welcome move. We should discuss free allowances (85% free for aviation). In his report for the general EU ETS reform, the leading MEP Ian Duncan suggests 50%. (Answering to a question from the audience), why not 100%? Because while there is less risk for carbon leakage in the aviation sector than for example steel, asking airlines to pay 100% risks forcing them to start using hubs outside the EU.
- The big question is what to do with the inter-continental flights. While for the moment full scope is not realistic, we should carefully monitor CORSIA and decide in 2-3 years. The world might look very different then.

**Ms Laurence Graff, Head of Unit, Directorate-General for Climate Action at the European Commission** [presented](#) the Commission's proposal on the aviation's role under the EU ETS. Key points of the presentation:

- Aviation emissions are growing rapidly and we need to act on them.
- A bit of history: due to the lack of action on international level, EU included flights under the EU ETS in 2008. This created very strong reactions and we decided to 'stop the clock' for international flights pending negotiations in ICAO.
- Intra-EU flights continue to be covered under the EU ETS, it's working well, and they are contributing towards the EU's 2020 climate targets.
- What happened in October 2016? We had very intensive negotiations in Montreal, resulting in a resolution that created an offset mechanism for aviation. The mechanism is route-based - to guarantee level playing field- and has a phased approach, starting on voluntary basis, followed by a mandatory participation of all parties from 2027.
- The review clause is extremely important in order to ratchet up ambition.
- While important, this deal is only a start.
- The resolution agreed on the key parameters of CORSIA, but a lot of important, technical work remains to be done both at ICAO and EU level to guarantee the effectiveness of the scheme. We need to develop rules for accounting, offset criteria. It's essential to avoid double counting, the details as to how this is achieved, are still to be worked out.
- Equally important is what happens on domestic level. The scheme will only take place later and must be backed up by appropriate national measures.
- While aviation and shipping are not explicitly mentioned in the Paris Agreement, it's clear that all sectors will have to contribute their fair share.

- On the EU's domestic target, in the impact assessment we cover two scenarios: pre- and post 2020 and make a distinction between external and internal flights. We are mindful of the need to guarantee consistency with the targets. For now, we propose to continue with the limited scope. However, there will be a review, depending on CORSIA development. We will closely monitor developments in Montreal and report on them. The review will take place as soon as we have clarity on all sides. The discussions have just started, and we are ready to engage with the European Parliament as soon as they are.

**Mr Jasper Faber, Aviation and Maritime Specialist at CE Delft** [presented](#) a CE Delft study comparing CORSIA and the EU ETS for Aviation. Key points of the presentations:

- We compared CORSIA and the EU ETS in the period of 2021-2035, analysing the difference between the emissions cap and the projected emissions. Important to note that this is not an analysis of environmental effectiveness, we didn't look at the quality of future offsets etc.
- While CORSIA covers more emissions, the amount of emissions mitigated under the EU ETS is much larger because the EU ETS has a lower cap.

**Mr Thomas Reynaert, Managing Director, Airlines for Europe (A4E)** outlined the airline perspective on the Commission's proposal, underlining the need for a global solution for a global industry. Other key points:

- Back in 2013 we really realized the global nature of the business. The decision to stop enforcing EU ETS on international flights prevented trade wars.
- Three key points: 1. ICAO deal truly is historic, we have gone through painful, long discussions for many years. Painful, because more than 190 countries must agree on something. But there is no alternative, we need an agreement. A lot of efforts have been put into this deal, the glass is more than half full. This is a unique opportunity if we get it right, of course the scheme needs to be robust and properly implemented. A quick and smooth implementation and adoption is in everybody's interest. 2. We fully support the Commission's proposal on EU ETS 3. ICAO mechanism should replace the EU ETS system when it comes into force in 2021.
- (commenting on the subsidies) Don't forget that a lot of the subsidies airlines get, are invested in green aircraft, new technologies that increase efficiency, and reduce emissions, including non-CO2.

**Ms Kelsey Perlman, Policy Officer – Aviation, Carbon Market Watch** [presented](#) recommendations on how to ensure effective climate action in the aviation sector. Highlights of the presentation can be summarised as follows:

- Carbon Market Watch is a member of the only NGO observer to the ICAO process, the [International Coalition for Sustainable Aviation](#) (ICSA).
- Carbon dioxide continues to reach new highs. This is the context that we're operating in.
- The ICAO deal is welcome but only a first step. Of course, a preferred solution would be a global measure, but only if it meets certain criteria; domestic targets are not reduced because of a global solution, the measure is environmentally adequate and enforceable, and there is high enough price on pollution.
- Excluding international flights from the EU ETS further increases the enormous surplus of emission permits on the EU's carbon market by 260 million tons and could undermine Europe's domestic climate goals for 2030, which is also Europe's target under the Paris Agreement.
- In one way or another, international aviation must do its fair share of climate action between

now and 2021, when the CORSIA is not yet in force.

- What happens after that? We simply need to know more about CORSIA, in terms of its effectiveness and environmental integrity before we can take any decisions about its future scope. To have that information we need recommendations on the CORSIA from ICAO's Committee on Aviation and Environmental Protection (CAEP) to be public.
- The market measures can then be clearly compared but only if we put forward criteria to compare the systems with. Criteria should include: Adequacy of the target in relation to the 1.5° goal of the Paris Agreement, enforceability and penalties for non-compliance, processes for public input and stakeholder consultations and stringency of offset quality criteria
- Comparing CORSIA with the EU ETS reveals among other things that unlike the EU ETS, CORSIA has no penalties for non-compliance and doesn't generate climate finance (European countries made over €100 million between 2014-2016 from auctioning pollution permits to airlines).
- On the cost: two sides, is the price high enough and is it an undue burden on airlines? The expected carbon price under the CORSIA is on average 0.31 EUR. The price of EU ETS allowances is currently 5.80 EUR. The real cost of carbon is currently calculated to be 40 EUR. By 2050 it will be way over 100 EUR per tonne! We need to put this question in perspective.

### Q&A Session

Questions and comments from media, MEPs and stakeholders ranged from origin of future offsets to reasons for not applying 100% auctioning for airlines under the EU ETS.

**Ms Jacqueline Foster, Member of the European Parliament** who leads the discussions on the file at the Parliament's transport committee, called for more enthusiasm towards the global deal and urged others to support the Commission in its work to guarantee that we will have a good global deal in place in 2021. She added that once the CORSIA takes effect, the EU ETS should no longer apply to the sector.

**Ms Julie Girling, Member of the European Parliament** in her concluding remarks noted that the one thing that is clear is that we cannot swap our current EU ETS rules for a global measure that is far less effective. Europe must progress on climate action.

**Mr Andrew Murphy, Aviation Manager at Transport & Environment** closed the event with the following remarks:

- There is clearly a lot of work ahead. The global vs regional attitude is very negative, and we should move away from that. We simply need a system that is ambitious enough to effectively address climate change.
- Today we didn't even discuss non-CO2 effects from aviation, which are as dangerous for the climate as CO2. Neither the CORSIA nor the Commission's proposal include them. We must find a way to address them in the current legislative process.

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### Resources:

**Ms Laurence Graff**, European Commission [Aviation under the EU ETS from 2017](#)

**Mr Jasper Faber**, CE Delft [A comparison between CORSIA and the EU ETS for Aviation](#)

**Ms Kelsey Perlman**, Carbon Market Watch [How to ensure effective climate action in the aviation sector](#)

[Policy Brief](#): Addressing aviation emissions under the EU Emissions Trading System

[Infographic](#): Coverage scenarios for aviation emissions

[Background briefing](#): Aviation under the EU Emissions Trading System (EU ETS)

[Press release](#): EU's climate reputation bruised as long-haul flight exemption extended

[Policy Brief](#): The CORSIA: ICAO's market based measure and implications for Europe

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